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In Memory of the Creator of the Washington Consensus

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On Sunday, April 12, John Williamson (1937–2021)—the distinguished economist of the Peterson Institute—passed away. Williamson is best known for coining the term "Washington Consensus" in a 1990 article. In that paper, which he modestly described as merely a synthesis of the views of Washington-based economic institutions and the insights of leading Latin American economists regarding reforms in these countries during the 1980s, he effectively laid out a roadmap for developing nations to escape the confusion of competing economic doctrines in the wake of the Eastern Bloc's collapse and identify viable paths to economic growth.

The late liberal scholar endorsed ten broad principles aimed at improving governance through commitment to foundational market reforms, which can be summarized as follows:

Fiscal discipline to better manage budget deficits and the inflation arising from them; expenditure reduction and the reprioritization of public spending through targeted subsidies and improved provision of education and healthcare for lower-income segments of society, viewed as a form of human capital investment; tax reform aimed at broadening the tax base with moderate rates; interest rate liberalization; a competitive exchange rate; trade liberalization alongside limited and temporary support for nascent domestic industries; liberalization of foreign direct investment; privatization; deregulation; and, ultimately, an emphasis on property rights.

Since the publication of this article, many have criticized the theoretical foundations of liberalism, the principles articulated therein, and, indeed, the performance of those countries that adopted a partial adherence to the Consensus and implemented some of its principles in a timely manner. Some critics argued that the framework fundamentally opposed the interests of lower-income populations, portraying it as a strategy for marginalizing the poor. Others deemed the ten principles of the Consensus insufficient and reproached Williamson for not sufficiently addressing the full range of political, social, cultural, and economic measures potentially necessary to resolve global challenges. Certain criticisms remain ambiguous even today, leaving it unclear which aspects of the article they specifically targeted. A substantial number of commentators, instead of censuring

corrupt leaders in Third World countries who exploited these principles not to advance equitable economic liberalization and improve citizens' welfare but to plunder national wealth, held Williamson himself responsible for all the shortcomings of these nations.

These reactions deeply disheartened Williamson, to the extent that, in all subsequent speeches and articles he wrote on the subject, he consistently criticized his detractors for misreading the original text, overlooking the limitations implied by the article's headline, and extrapolating the discussion to broader issues beyond the Washington circle's dialogues. He was particularly puzzled by the use of the label "neoliberalism" as a pejorative term to discredit his views, finding it both surprising and unduly offensive. Nevertheless, according to his colleagues, despite his intellectual rigor and avant-garde spirit, Williamson always approached his critics with openness, warmth, and the respect that characterized his personality, continuing until the end of his life to refine and advance his ideas.

Meanwhile, opponents of his teachings have—over the past three decades—repeatedly proclaimed the "end of the neoliberal era" and the failure of the Washington Consensus, oblivious to the fact that they inhabit a world that—if not fully shaped by him—was certainly profoundly influenced by Williamson as one of its original architects.

Thanks to these sustained efforts, property rights became recognized as a fundamental entitlement even in some of the world's most underdeveloped countries. Through privatization, national debt crises were mitigated to some extent, and deregulation removed barriers to entrepreneurship in even the most bureaucratic states. Capital and goods began to move freely across borders, and subsidies were gradually reoriented toward targeted allocation. These represent only a small portion of the transformation directly attributable to the principles of the Consensus.

The Washington Consensus emerged as a concept at the pivotal moment of the Berlin Wall's collapse and the disintegration of the Soviet Union, offering hope to nations for greater prosperity and liberty. This hope was nurtured by the unparalleled efforts of Friedrich Hayek, Milton Friedman, and other pioneers of twentieth-century liberalization, and it was realized through the bold policies of Margaret Thatcher and other liberal leaders worldwide.

Many readers of this essay may still be influenced by the persistent negative portrayals that—over the past three decades—have consistently attributed poverty, inequality, and violent unrest to neoliberalism and the Washington Consensus. Yet, a brief examination of the data reveals the transformative impact of liberalism in what is arguably the largest poverty reduction in human history, observable firsthand across China, Indonesia, India, and South America.

Williamson's core message was that the fundamental principle of a market economy is that

individuals exchange goods and services of mutual value. Accordingly, the poor require opportunities to produce something of value to offer others in order to obtain what they need for their livelihood. The significance of this approach lies in the fact that he applied the idea of liberty as a practical solution to the problem of poverty.

Beyond the contributions that brought him fame, Williamson's efforts to emphasize economic stability, engage logically with business cycles, and develop frameworks for the more effective management of exchange rate fluctuations firmly established him among the leading scholars of economics.

In any case, although Williamson has departed from this world, his legacy will undoubtedly continue to serve as a guiding framework for countries pursuing economic reforms. While various adaptations of his ideas will emerge, all will agree on one fundamental truth: an economy devoid of liberty is devoid of meaning.

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